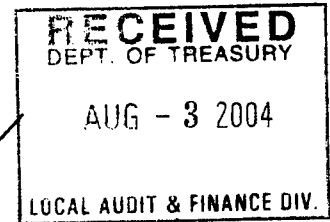




73-1190

(Saginaw)



Hemlock, Michigan

Financial Statements

For the Year Ended
March 31, 2004



REHMANN ROBSON

Certified Public Accountants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Richland Township	County Saginaw
Audit Date 3/31/04	Opinion Date 5/7/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

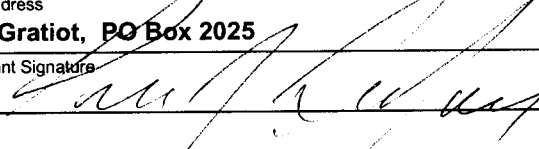
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson				Gerald J. Desloover, CPA	
Street Address 5800 Gratiot, PO Box 2025		City Saginaw		State MI	ZIP 48605
Accountant Signature 				Date	

RICHLAND TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

May 7, 2004

Members of the Township Board
Richland Township
Hemlock, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Richland Township**, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Richland Township**, as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Police, Trash Collection and Library governmental funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2004, on our consideration of **Richland Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Richland Township's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Rehmann Johnson

Management's Discussion and Analysis

As management of *Richland Township, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2004. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,064,288 (*net assets*). Of this amount, \$1,644,752 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$13,439.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,382,898, a decrease of \$84,478 in comparison with the prior year. More than 90 percent of this total amount, or \$1,215,592, is *available for spending* at the government's discretion (*unreserved fund balance*). This was due to expenditure of \$152,000 for addition to the public safety building.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$250,018, or 46 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health and welfare, and recreation and cultural. The business-type activities of the Township include sanitary sewer and water operations.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, police, trash collection and library funds, each of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary funds. The Township maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sanitary sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the Township's various functions. The Township's uses internal service funds to account for its motor pool operations and fringe benefits. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and water operations, both of which are considered to be major funds of the Township. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial

statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-46 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 48-61 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richland Township, assets exceeded liabilities by \$4,064,288 at the close of the most recent fiscal year.

One of the largest portions of the Township's net assets (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richland Township's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 1,537,784	\$ 1,465,644	\$ 225,117	\$ 267,216	\$ 1,762,901	\$ 1,732,860
Capital assets	<u>1,564,006</u>	<u>1,602,596</u>	<u>2,010,051</u>	<u>1,942,041</u>	<u>3,574,057</u>	<u>3,544,637</u>
Total assets	<u>3,101,790</u>	<u>3,068,240</u>	<u>2,235,168</u>	<u>2,209,257</u>	<u>5,336,958</u>	<u>5,277,497</u>
Long-term liabilities						
outstanding	667,828	622,593	567,995	539,924	1,235,823	1,162,517
Other liabilities	<u>31,451</u>	<u>41,522</u>	<u>18,835</u>	<u>9,170</u>	<u>50,286</u>	<u>50,692</u>
Total liabilities	<u>699,279</u>	<u>664,115</u>	<u>586,830</u>	<u>549,094</u>	<u>1,286,109</u>	<u>1,213,209</u>
Net assets:						
Invested in capital						
assets, net of						
related debt	919,006	1,002,596	1,442,056	1,402,117	2,361,062	2,404,713
Restricted	4,779	14,823	-	-	4,779	14,823
Unrestricted	<u>1,478,726</u>	<u>1,386,706</u>	<u>206,282</u>	<u>258,046</u>	<u>1,685,008</u>	<u>1,644,752</u>
Total net assets	<u>\$ 2,402,511</u>	<u>\$ 2,404,125</u>	<u>\$ 1,648,338</u>	<u>\$ 1,660,163</u>	<u>\$ 4,050,849</u>	<u>\$ 4,064,288</u>

An additional portion of the Township's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (41 percent or \$1,644,752) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's restricted net assets increased by \$10,044 during the current fiscal year. This increase largely reflects deposits held by others.

The Township's net assets increased by \$13,439 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

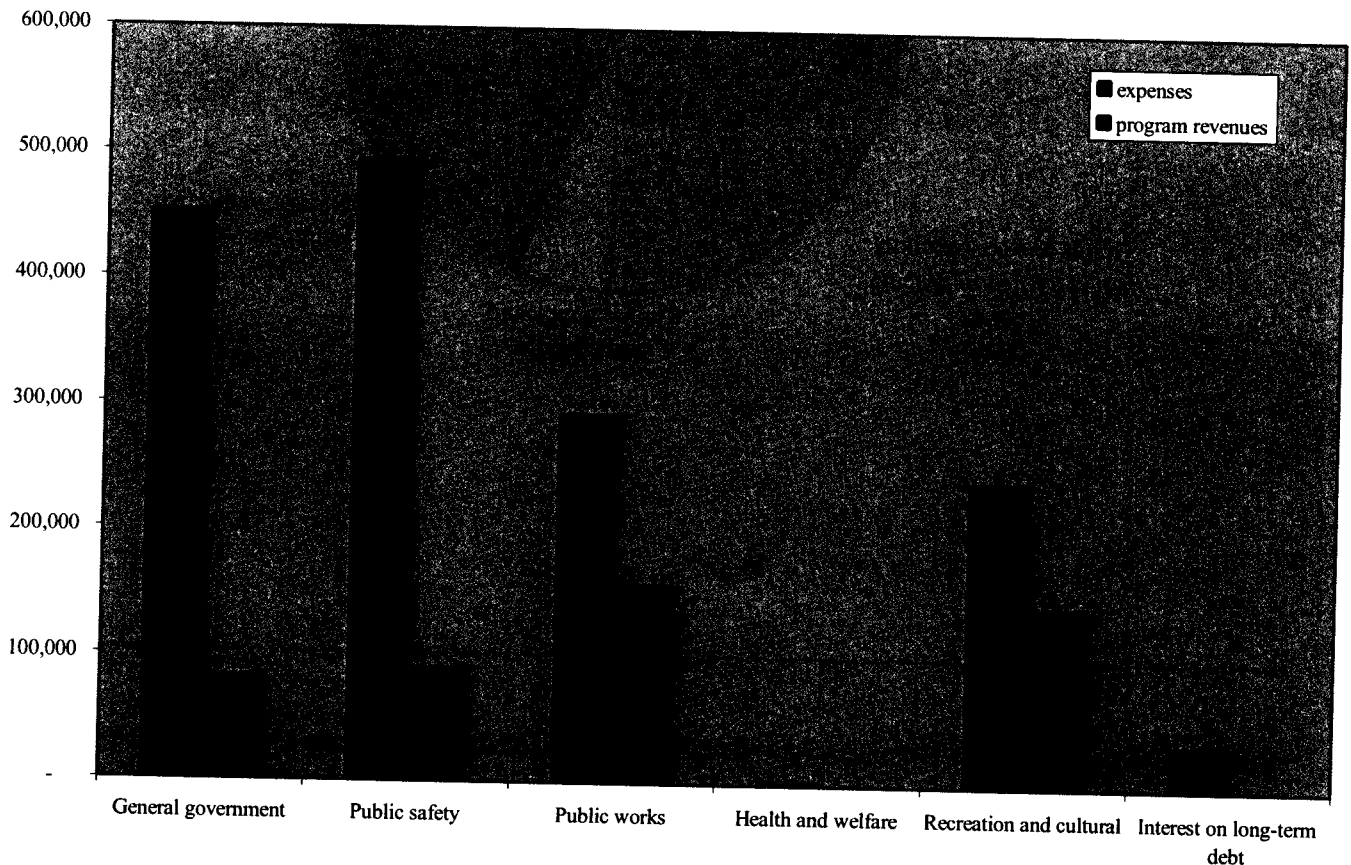
Richland Township's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 350,286	\$ 378,865	\$ 403,271	\$ 398,120	\$ 753,557	\$ 776,985
Operating grants and contributions	7,027	11,448	-	-	7,027	11,448
Capital grants and contributions	1,330	84,613	-	-	1,330	84,613
General revenue:						
Property taxes	594,920	661,680	-	-	594,920	661,680
Grants and contrib. not restricted to specific programs	367,477	345,368	-	-	367,477	345,368
Other	<u>61,573</u>	<u>39,561</u>	<u>23,568</u>	<u>7,966</u>	<u>85,141</u>	<u>47,527</u>
Total revenue	<u>1,382,613</u>	<u>1,521,535</u>	<u>426,839</u>	<u>406,086</u>	<u>1,809,452</u>	<u>1,927,621</u>
Expenses:						
General government	423,625	452,293	-	-	423,625	452,293
Public safety	445,489	494,133	-	-	445,489	494,133
Public works	287,250	292,995	-	-	287,250	292,995
Health and welfare	2,774	3,478	-	-	2,774	3,478
Recreation and cultural	221,503	242,253	-	-	221,503	242,253
Interest on long-term debt	13,166	34,769	-	-	13,166	34,769
Sanitary sewer	-	-	196,490	182,521	196,490	182,521
Water	-	-	<u>207,323</u>	<u>211,740</u>	<u>207,323</u>	<u>211,740</u>
Total expenses	<u>1,393,807</u>	<u>1,519,921</u>	<u>403,813</u>	<u>394,261</u>	<u>1,797,620</u>	<u>1,914,182</u>
Increase (decrease) in net assets	(11,194)	1,614	23,026	11,825	11,832	13,439
Net assets – beginning of year	<u>2,413,705</u>	<u>2,402,511</u>	<u>1,625,312</u>	<u>1,648,338</u>	<u>4,039,017</u>	<u>4,050,849</u>
Total net assets	<u>\$ 2,402,511</u>	<u>\$ 2,404,125</u>	<u>\$ 1,648,338</u>	<u>\$ 1,660,163</u>	<u>\$ 4,050,849</u>	<u>\$ 4,064,288</u>

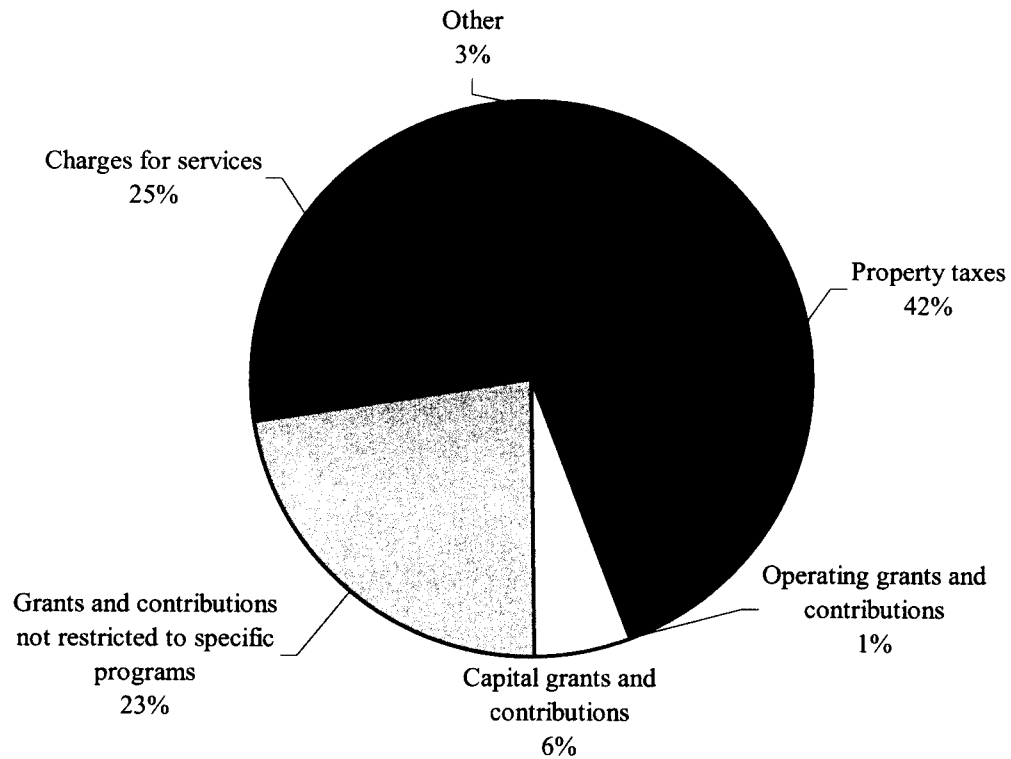
Governmental activities. Governmental activities increased the Township's net assets by \$1,614 resulting in minimal growth in the net assets of the Township. Key elements of this increase are as follows:

- Property taxes increased by \$65,001 (10.1 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.
- Grants and contributions not restricted to specific programs was composed of the sales tax revenues shared by the State of Michigan under the Revenue Sharing Act and the State's allocation was reduced by \$20,381 (6.9 percent) during the year.
- The Township expenses remained relatively constant but were slightly above anticipated revenues.

Expenses and Program Revenues - Governmental Activities



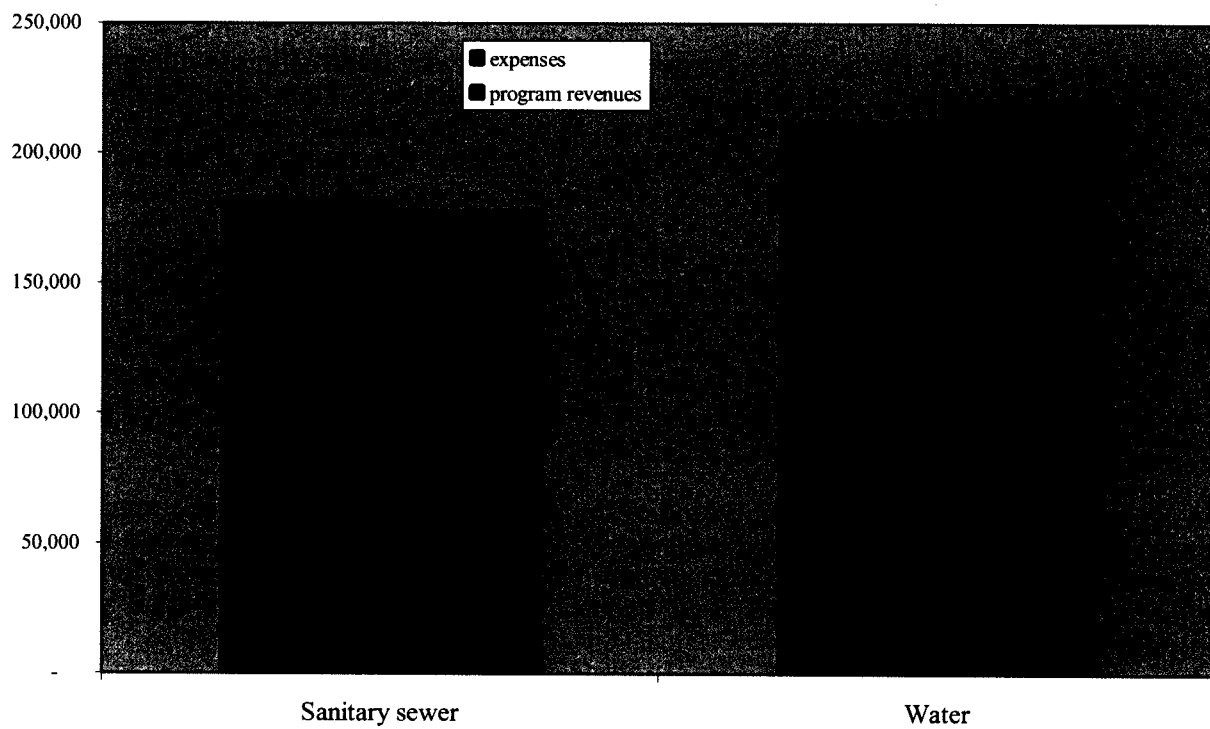
Revenues by Source - Governmental Activities



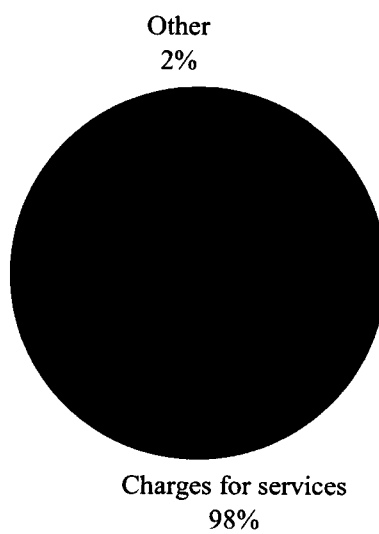
Business-type activities. Business-type activities increased the Township's net assets by \$11,825, resulting in minimal growth in the net assets of the Township. Key elements of this increase are as follows:

- Expenses remained constant while charges for services increased \$28,579 (13.2 percent) due to additional customers added during the year.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,382,898, a decrease of \$84,478 in comparison with the prior year. Approximately 90 percent of this total amount (\$1.38 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay for specific capital projects (\$2,680), 2) for a variety of other restricted purposes (\$11,624), or 3) for long-term advances (\$153,002).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$250,018, and total fund balance was \$403,020. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 46 percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$27,749 during the current fiscal year. The increase is attributable to expenditures in excess of revenues, coupled with a transfer received for the purchase of a building by the library fund.

The police fund has a total fund balance of \$155,417, which decreased by \$117,730 during the year. The increase is primarily attributable to a transfer to the township building construction fund for the police fund's share of the public safety building improvements.

The trash collection fund has a total fund balance of \$294,122, which increased by \$12,692 during the year. The increase is attributable to the stable contractual service costs while the annual special assessment revenue was increased to cover anticipated increases in contractual service costs.

The library fund has a total fund balance of \$241,704, which increased by \$505 during the year.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sanitary sewer and water funds at the end of the year amounted to \$155,964 and \$123,405, respectively. The sanitary sewer fund had a increase in net assets for the year of \$61 and the water fund had an increase in net assets for the year of \$14,681. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Township's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Township's general fund were generally favorable.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2004, amounted to \$3,544,637 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current fiscal year was 19 percent (a 10.3 percent increase for governmental activities and a 1.03 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The addition to the public safety building for \$134,176.

Richland Township's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Land	\$ 157,833	\$ 157,833	\$ 67,590	\$ 67,590	\$ 225,423	\$ 225,423
Land improvements	255,639	217,620	-	-	255,639	217,620
Buildings and systems	855,118	952,313	1,928,861	1,862,402	2,783,979	2,814,715
Equipment	88,796	75,648	13,600	12,049	102,396	87,697
Vehicles	<u>206,620</u>	<u>199,182</u>	<u>-</u>	<u>-</u>	<u>206,620</u>	<u>199,182</u>
Total net assets	<u>\$ 1,564,006</u>	<u>\$ 1,602,596</u>	<u>\$ 2,010,051</u>	<u>\$ 1,942,041</u>	<u>\$ 3,574,057</u>	<u>\$ 3,544,637</u>

Additional information on the Township's capital assets can be found in note 5 on pages 39-41 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt outstanding of \$1,162,517. Of this amount, \$1,165,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), \$22,593 represents accrued compensated absences, and a \$25,076 reduction represents deferred charges on the bonds.

Richland Township's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Revenue bonds	\$ 645,000	\$ 600,000	\$ 595,000	\$ 565,000	\$ 1,240,000	\$ 1,165,000
Accrued compensated absences	22,828	22,593	-	-	22,828	22,593
Deferred charges	<u>-</u>	<u>-</u>	<u>(27,005)</u>	<u>(25,076)</u>	<u>(27,005)</u>	<u>(25,076)</u>
Total net debt	<u>\$ 667,828</u>	<u>\$ 622,593</u>	<u>\$ 567,995</u>	<u>\$ 539,924</u>	<u>\$ 1,235,823</u>	<u>\$ 1,162,517</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Township is \$9,318,586, which is significantly in excess of the Township's outstanding general obligation debt.

Additional information on the Township's long-term debt can be found in note 8 on pages 43-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2004-05 fiscal year:

- The February 2004 unemployment rate for the Saginaw County metropolitan area (the Township is in the Saginaw area) was 9.1 percent, which is an increase from a rate of 8.1 percent a year ago. The Township rate was 5.2 percent. The State average was 7.2 percent and National rate was 5.7 percent.
- The Township is comprised principally of residential areas. There is a stable business base that includes some light industrial operation.
- Inflationary trends in the region compare favorably to national indices.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk's Office, 1180 North Hemlock Road, Hemlock, Michigan 48626.

RICHLAND TOWNSHIP

Statement of Net Assets March 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,337,715	\$ 203,238	\$ 1,540,953
Receivables	92,302	85,301	177,603
Internal balances	21,323	(21,323)	-
Restricted cash and cash equivalents	14,304	-	14,304
Nondepreciable capital assets	157,833	67,590	225,423
Depreciable capital assets, net	<u>1,444,763</u>	<u>1,874,451</u>	<u>3,319,214</u>
Total assets	<u>3,068,240</u>	<u>2,209,257</u>	<u>5,277,497</u>
Liabilities			
Accounts payable and accrued expenses	41,522	9,170	50,692
Noncurrent liabilities:			
Due within one year	45,000	30,000	75,000
Due in more than one year	<u>577,593</u>	<u>509,924</u>	<u>1,087,517</u>
Total liabilities	<u>664,115</u>	<u>549,094</u>	<u>1,213,209</u>
Net Assets			
Invested in capital assets, net of related debt	1,002,596	1,402,117	2,404,713
Restricted for:			
Capital improvements	2,680	-	2,680
Deposits held by others	11,624	-	11,624
Nonexpendable cemetery trust	519	-	519
Unrestricted	<u>1,386,706</u>	<u>258,046</u>	<u>1,644,752</u>
Total net assets	<u>\$ 2,404,125</u>	<u>\$ 1,660,163</u>	<u>\$ 4,064,288</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Activities
For the Year Ended March 31, 2004**

Functions / Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 452,293	\$ 76,897	\$ 5,688	\$ -	\$ (369,708)
Public safety:					
Police protection	302,975	4,768	2,585	-	(295,622)
Fire protection	141,634	34,600	-	-	(107,034)
Building inspections	32,485	48,782	-	-	16,297
Other public safety	17,039	-	-	-	(17,039)
Public works:					
Roads and bridges	100,127	-	-	-	(100,127)
Trash collection	147,913	157,853	-	-	9,940
Other public works	44,955	-	-	-	(44,955)
Health and welfare	3,478	-	-	-	(3,478)
Recreation and cultural:					
Parks	110,181	20,085	700	-	(89,396)
Library	132,072	35,880	2,475	84,613	(9,104)
Interest on long-term debt	34,769	-	-	-	(34,769)
Total governmental activities	1,519,921	378,865	11,448	84,613	(1,044,995)
Business-type activities:					
Sanitary sewer	182,521	177,734	-	-	(4,787)
Water	211,740	220,386	-	-	8,646
Total business-type activities	394,261	398,120	-	-	3,859
Total primary government	\$ 1,914,182	\$ 776,985	\$ 11,448	\$ 84,613	\$ (1,041,136)

The accompanying notes are an integral part of these financial statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,044,995)	\$ 3,859	\$ (1,041,136)
General revenues:			
Property taxes:			
Property taxes, levied for general purposes	91,978	-	91,978
Property taxes, levied for fire protection	93,126	-	93,126
Property taxes, levied for police protection	316,649	-	316,649
Property taxes, levied for park operations	91,173	-	91,173
Property taxes, levied for library operations	68,369	-	68,369
Payment in lieu of property taxes	385	-	385
Grants and contributions not restricted to specific programs	345,368	-	345,368
Unrestricted investment earnings	16,523	2,429	18,952
Miscellaneous	22,987	4	22,991
Gain on sale of capital assets	51	5,533	5,584
Total general revenues	1,046,609	7,966	1,054,575
Change in net assets	1,614	11,825	13,439
Net assets, beginning of year	2,402,511	1,648,338	4,050,849
Net assets, end of year	\$ 2,404,125	\$ 1,660,163	\$ 4,064,288

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Balance Sheet Governmental Funds March 31, 2004

	General	Police	Trash Collection
Assets			
Cash and cash equivalents	\$ 222,592	\$ 285,856	\$ 243,812
Taxes receivable - delinquent	-	-	49,777
Due from State	42,525	-	-
Advances to other funds	153,002	-	-
Restricted assets - cash and cash equivalents	-	2,680	11,624
Total assets	\$ 418,119	\$ 288,536	\$ 305,213
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 7,054	\$ 999	\$ 11,091
Accrued liabilities	79	-	-
Due to other governmental units	7,966	-	-
Advances from other funds	-	132,120	-
Total liabilities	15,099	133,119	11,091
Fund equity			
Fund balances:			
Reserved for capital improvements	-	2,680	-
Reserved for deposits held by others	-	-	11,624
Reserved for long-term advances	153,002	-	-
Unreserved:			
Reported in:			
General Fund	250,018	-	-
Special Revenue Funds	-	152,737	282,498
Permanent Fund	-	-	-
Total fund equity	403,020	155,417	294,122
Total liabilities and fund equity	\$ 418,119	\$ 288,536	\$ 305,213

The accompanying notes are an integral part of these financial statements.

Library	Other Governmental Funds	Total Governmental Funds
\$ 242,183	\$ 313,261	\$ 1,307,704
-	-	49,777
-	-	42,525
-	-	153,002
-	-	14,304
<u>\$ 242,183</u>	<u>\$ 313,261</u>	<u>\$ 1,567,312</u>
\$ 479	\$ 3,744	\$ 23,367
-	-	79
-	-	7,966
-	20,882	153,002
<u>479</u>	<u>24,626</u>	<u>184,414</u>
-	-	2,680
-	-	11,624
-	-	153,002
-	-	250,018
241,704	288,116	965,055
-	519	519
<u>241,704</u>	<u>288,635</u>	<u>1,382,898</u>
<u>\$ 242,183</u>	<u>\$ 313,261</u>	<u>\$ 1,567,312</u>

RICHLAND TOWNSHIP

**Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
March 31, 2004**

Fund balances - total governmental funds	\$ 1,382,898
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	2,258,575
Deduct - accumulated depreciation	(718,339)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds payable	(600,000)
Deduct - accumulated compensated absences	(22,593)
Deduct - increase in accrued interest payable	(9,816)
Elimination of Internal Service Fund activities	<u>113,400</u>
Net assets of governmental activities	<u><u>\$ 2,404,125</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2004**

	General	Police	Trash Collection
Revenues			
Taxes and special assessments	\$ 92,363	\$ 316,649	\$ 155,620
Licenses and permits	2,859	-	-
Intergovernmental revenue:			
State	341,759	2,585	-
Charges for services	22,364	-	-
Contributions and donations	9,260	-	-
Fines and forfeitures	-	-	-
Interest and rents	5,923	2,286	2,752
Other revenue	32,120	4,768	2,233
Total revenues	<u>506,648</u>	<u>326,288</u>	<u>160,605</u>
Expenditures			
General government	320,754	-	-
Public safety	17,039	289,163	-
Public works	135,522	-	147,913
Health and welfare	3,478	-	-
Recreation and cultural	-	-	-
Capital outlay	20,301	28,690	-
Debt service:			
Principal	25,000	-	-
Interest	18,805	-	-
Total expenditures	<u>540,899</u>	<u>317,853</u>	<u>147,913</u>
Revenues over (under) expenditures	<u>(34,251)</u>	<u>8,435</u>	<u>12,692</u>
Other financing sources (uses)			
Transfers in	70,000	-	-
Transfers (out)	(8,000)	(126,165)	-
Total other financing sources (uses)	<u>62,000</u>	<u>(126,165)</u>	<u>-</u>
Net change in fund balances	27,749	(117,730)	12,692
Fund balances, beginning of year	375,271	273,147	281,430
Fund balances, end of year	<u>\$ 403,020</u>	<u>\$ 155,417</u>	<u>\$ 294,122</u>

The accompanying notes are an integral part of these financial statements.

Library	Other Governmental Funds	Total Governmental Funds
\$ 68,369	\$ 184,299	\$ 817,300
-	48,692	51,551
3,609	5,688	353,641
-	52,757	75,121
89,588	35,300	134,148
29,679	-	29,679
2,418	2,865	16,244
3,701	699	43,521
197,364	330,300	1,521,205
-	46,363	367,117
-	153,377	459,579
-	-	283,435
-	-	3,478
126,859	84,154	211,013
-	162,117	211,108
-	20,000	45,000
-	6,148	24,953
126,859	472,159	1,605,683
70,505	(141,859)	(84,478)
-	154,703	224,703
(70,000)	(20,538)	(224,703)
(70,000)	134,165	-
505	(7,694)	(84,478)
241,199	296,329	1,467,376
\$ 241,704	\$ 288,635	\$ 1,382,898

RICHLAND TOWNSHIP

**Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2004**

Net change in fund balances - total governmental funds	\$	(84,478)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay		166,567
Deduct - net value of capital assets sold		(38,169)
Deduct - depreciation expense		(76,186)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities		45,000
Add - changes in accrued compensated absences		232
Deduct - changes in accrued interest payable		(9,816)

Elimination of Internal Service Fund activities		(1,536)
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Change in net assets of governmental activities	\$	<u>1,614</u>
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The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund For the Year Ended March 31, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 87,588	\$ 114,784	\$ 92,363	\$ (22,421)
Licenses and permits	3,620	2,859	2,859	-
Intergovernmental revenue				
State	374,000	299,234	341,759	42,525
Charges for services	20,900	22,364	22,364	-
Contributions from local units	8,700	9,260	9,260	-
Interest and rents	6,650	5,923	5,923	-
Other revenue	26,400	32,120	32,120	-
Total revenues	527,858	486,544	506,648	20,104
Expenditures				
General government	308,353	316,386	320,754	4,368
Public safety	19,460	17,039	17,039	-
Public works	155,756	153,212	135,522	(17,690)
Health and welfare	3,478	3,478	3,478	-
Capital outlay	16,215	16,215	20,301	4,086
Debt service	-	-	43,805	43,805
Total expenditures	503,262	506,330	540,899	34,569
Revenues over (under) expenditures	24,596	(19,786)	(34,251)	(14,465)
Other financing (uses)				
Transfers in	70,000	70,000	70,000	-
Transfers (out)	(64,720)	(154,703)	(8,000)	(146,703)
Total other financing sources (uses)	5,280	(84,703)	62,000	(146,703)
Net change in fund balances	29,876	(104,489)	27,749	132,238
Fund balances, beginning of year	375,271	375,271	375,271	-
Fund balances, end of year	\$ 405,147	\$ 270,782	\$ 403,020	\$ 132,238

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Police Fund
For the Year Ended March 31, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 271,578	\$ 316,649	\$ 316,649	\$ -
Intergovernmental revenue				
State liquor inspection fees	2,581	2,585	2,585	-
Interest	2,200	2,286	2,286	-
Other revenue	1,600	4,768	4,768	-
Total revenues	277,959	326,288	326,288	-
Expenditures				
Public safety:				
Salaries	138,561	147,517	147,517	-
Employee benefits	95,422	103,016	103,016	-
Supplies	2,800	3,571	3,571	-
Uniforms and cleaning	2,800	3,570	3,660	90
Contractual services	700	1,250	1,050	(200)
Telephone	1,400	1,910	1,956	46
Repairs and maintenance	28,376	19,305	20,154	849
Insurance	3,600	4,624	4,624	-
Administration fees	2,700	2,700	2,700	-
Workshops and conferences	600	180	180	-
Miscellaneous	800	721	735	14
Capital outlay	-	22,735	28,690	5,955
Total expenditures	277,759	311,099	317,853	6,754
Revenues over (under) expenditures	200	15,189	8,435	(6,754)
Other financing (uses)				
Transfers (out)	-	-	(126,165)	126,165
Net change in fund balances	200	15,189	(117,730)	(132,919)
Fund balances, beginning of year	273,147	273,147	273,147	-
Fund balances, end of year	\$ 273,347	\$ 288,336	\$ 155,417	\$ (132,919)

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Trash Collection Fund
For the Year Ended March 31, 2004**

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Special assessments	\$ 152,890	\$ 103,843	\$ 155,620	\$ 51,777
Interest	3,000	2,752	2,752	-
Other revenue	100	2,233	2,233	-
Total revenues	155,990	108,828	160,605	51,777
Expenditures				
Public works:				
Salaries	5,000	3,368	3,368	-
Employee benefits	1,000	1,000	1,000	-
Administration fees	2,754	2,754	2,754	-
Contractual services	138,500	129,700	140,791	11,091
Miscellaneous	500	-	-	-
Total expenditures	147,754	136,822	147,913	11,091
Net change in fund balances	8,236	(27,994)	12,692	40,686
Fund balances, beginning of year	281,430	281,430	281,430	-
Fund balances, end of year	\$ 289,666	\$ 253,436	\$ 294,122	\$ 40,686

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Library Fund
For the Year Ended March 31, 2004**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 64,664	\$ 68,675	\$ 68,369	\$ (306)
Intergovernmental revenue				
State grants	5,570	3,609	3,609	-
Contributions from local units	2,500	2,500	2,500	-
Memorials and donations	1,750	87,088	87,088	-
Fines and forfeitures	29,000	29,679	29,679	-
Interest	500	2,418	2,418	-
Other revenue	3,600	3,701	3,701	-
Total revenues	107,584	197,670	197,364	(306)
Expenditures				
Recreation and cultural:				
Salaries	61,000	57,313	57,313	-
Employee benefits	14,500	14,500	14,500	-
Operating supplies	3,100	2,850	2,850	-
Contractual services	7,730	21,512	21,512	-
Insurance	5,000	2,200	2,200	-
Administration fees	1,300	1,300	1,300	-
Utilities	7,500	4,034	4,426	392
Memberships and dues	500	40	40	-
Telephone	1,300	1,265	1,265	-
Memorials	2,000	1,945	1,945	-
Repair and maintenance	1,500	1,408	1,476	68
Book, tapes, records, equipment	14,500	13,609	13,628	19
Miscellaneous	5,400	4,404	4,404	-
Capital outlay	5,000	-	-	-
Total expenditures	130,330	126,380	126,859	479
Revenues over (under) expenditures	(22,746)	71,290	70,505	(785)
Other financing (uses)				
Transfers (out)	(70,000)	(70,000)	(70,000)	-
Net change in fund balances	(92,746)	1,290	505	(785)
Fund balances, beginning of year	241,199	241,199	241,199	-
Fund balances, end of year	\$ 148,453	\$ 242,489	\$ 241,704	\$ (785)

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Statement of Net Assets

Proprietary Funds

March 31, 2004

	Enterprise Funds			Internal Service
	Sanitary Sewer	Water	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 121,520	\$ 81,718	\$ 203,238	\$ 30,011
Accounts receivable	40,442	44,859	85,301	-
Total current assets	161,962	126,577	288,539	30,011
Capital assets				
Property, plant and equipment	2,224,726	1,570,102	3,794,828	207,983
Less allowance for accumulated depreciation	(1,253,424)	(599,363)	(1,852,787)	(145,623)
Total capital assets	971,302	970,739	1,942,041	62,360
Total assets	1,133,264	1,097,316	2,230,580	92,371
Liabilities				
Current liabilities				
Accounts payable	4,412	1,586	5,998	294
Accrued liabilities	1,586	1,586	3,172	-
Current portion of long-term debt:				
Bonds payable	-	30,000	30,000	-
Total current liabilities	5,998	33,172	39,170	294
Long-term liabilities				
Bonds payable (net of deferred charges of \$25,076)	-	509,924	509,924	-
Total liabilities	5,998	543,096	549,094	294
Net assets				
Investment in capital assets, net of related debt	971,302	430,815	1,402,117	62,360
Unrestricted	155,964	123,405	279,369	29,717
Total net assets	\$ 1,127,266	\$ 554,220	\$ 1,681,486	\$ 92,077

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Reconciliation of Net Assets on the Statement of
Net Assets for Enterprise Funds to Net Assets of
Business-Type Activities on the Statement of Net Assets
March 31, 2004**

Net assets - total enterprise funds	\$ 1,681,486
Amounts reported for <i>business-type activities</i> in the statement of net assets are different because:	
Elimination of Internal Service Fund activities	<u>(21,323)</u>
Net assets of business-type activities	<u>\$ 1,660,163</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended March 31, 2004

	Enterprise Funds			Internal Service
	Sanitary Sewer	Water	Total	
Operating revenues				
Charges for services	\$ 176,214	\$ 218,312	\$ 394,526	\$ 323,643
Penalties	1,520	2,074	3,594	-
Other revenue	3	4,026	4,029	2,862
Total operating revenues	177,737	224,412	402,149	326,505
Operating expenses				
Salaries and wages	35,494	33,979	69,473	67,783
Employee benefits	35,183	35,183	70,366	232,689
Supplies and maintenance	6,651	18,576	25,227	5,305
Contractual services	14,874	22,173	37,047	512
Administration expense	5,000	-	5,000	-
Equipment rental	10,120	6,116	16,236	-
Insurance	3,442	2,026	5,468	3,352
Utilities	13,997	13,146	27,143	-
Repairs and maintenance	1,773	11	1,784	3,879
Depreciation	54,173	43,176	97,349	17,728
Amortization of issuance costs	-	1,929	1,929	-
Miscellaneous	-	524	524	40
Total operating expenses	180,707	176,839	357,546	331,288
Operating income (loss)	(2,970)	47,573	44,603	(4,783)
Nonoperating revenues (expenses)				
Interest revenue	1,523	906	2,429	279
Interest expense	-	(33,798)	(33,798)	-
Gain on sale of capital assets	1,508	-	1,508	51
Total nonoperating revenues (expenses)	3,031	(32,892)	(29,861)	330
Change in net assets	61	14,681	14,742	(4,453)
Net assets, beginning of year	1,127,205	539,539	1,666,744	96,530
Net assets, end of year	\$ 1,127,266	\$ 554,220	\$ 1,681,486	\$ 92,077

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Reconciliation of the Statement of Revenues, Expenses
and Change in Fund Net Assets of Enterprise Funds
to the Statement of Activities
For the Year Ended March 31, 2004**

Change in net assets - total enterprise funds	\$ 14,742
Elimination of Internal Service Fund activities	<u>(2,917)</u>
Change in net assets of business-type activities	<u>\$ 11,825</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2004**

	Enterprise Funds			Internal Service
	Sanitary Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 174,982	\$ 222,010	\$ 396,992	\$ -
Cash received from interfund services	-	-	-	326,505
Cash payments to employees	(35,532)	(34,017)	(69,549)	(67,783)
Cash payments to suppliers for goods and services	(67,032)	(60,986)	(128,018)	(245,483)
Cash payments for interfund services	(35,183)	(35,183)	(70,366)	-
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 37,235	 91,824	 129,059	 13,239
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	1,508	-	1,508	2,012
Acquisition of capital assets	(29,340)	-	(29,340)	(6,067)
Principal paid on long-term debt	-	(30,000)	(30,000)	-
Interest and fiscal charges paid on long-term debt	-	(33,798)	(33,798)	-
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (27,832)	 (63,798)	 (91,630)	 (4,055)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,523	906	2,429	279
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 10,926	 28,932	 39,858	 9,463
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	110,594	52,786	163,380	20,548
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 121,520	\$ 81,718	\$ 203,238	\$ 30,011
 CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,970)	\$ 47,573	\$ 44,603	(4,783)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	54,173	43,176	97,349	17,728
Deferred charges	-	1,929	1,929	-
(Increase) decrease in assets:				
Accounts receivable	(2,755)	(2,402)	(5,157)	-
Increase (decrease) in liabilities:				
Accounts payable	(11,175)	1,586	(9,589)	294
Accrued liabilities	(38)	(38)	(76)	-
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 37,235	 \$ 91,824	 \$ 129,059	 \$ 13,239

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

**Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2004**

	<u>AGENCY</u> <u>CURRENT TAX</u> <u>COLLECTION</u>
Assets	
Cash and cash equivalents	\$ <u><u>-</u></u>
Liabilities	
Due to other funds	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

Richland Township (the "Township") is a municipal corporation governed by an elected Board. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its financial relationship with the Township.

Blended Component Unit

The Building Authority is included as a part of the Township's financial statements since the Township appoints the governing authority Board and the Building Authority provides its services solely to the Township. The Building Authority activity is blended into the Township's Water Enterprise Fund for reporting purposes because the services were related to Water Enterprise Fund assets, which is in accordance with generally accepted accounting principles. A complete financial statement can be obtained from Richland Township Offices, 1180 N. Hemlock Road, Hemlock, Michigan 48626.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The *police fund* accounts for the separate voted millage and the related operation of the police department.

The *trash collection fund* accounts for the contractual services the Township has retained for garbage/trash removal.

The *library fund* accounts for the separate voted millage and related operation of the library.

The government reports the following major proprietary funds:

The *sanitary sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Township reports the following fund types:

Internal service funds account for fringe benefit and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are adopted on a function level for each fund. The Township did amend its budget for the year ended March 31, 2004. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Restricted assets

In the Police and Trash Collection Funds, certain funds have been received with donor restrictions as to use. Also, certain resources have been set aside to fund capital asset replacements.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Capital assets

Capital assets, which include property, plant, equipment and water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-30
Buildings	20-50
System infrastructure	5-40
Equipment	5-20
Vehicles	5-20

Compensated absences

Employees earn vacation and sick leave based on years of service. Vacation days are accrued annually on January 1 and the employee must take the time during the year following accrual, except for the 40 hour carryover that is allowed at the end of each year.

The employees earn 80 hours of vacation annually for the first five years of employment. The vacation hours accrual goes up to 120 hours annually after five years. In addition, supervisory level employees receive 40 more hours of vacation each year.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The vacation hours accrued at the March 31 year end are valued using each employees current pay rate. The current portion of the liability for governmental funds is not determinable, therefore the entire amount has been recorded as noncurrent liabilities due in more than one year.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2004, the Township incurred expenditures in the General and Special Revenue Funds which were in excess of the amounts appropriated in the various functions as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
GENERAL FUND			
General government	\$316,386	\$320,754	\$ 4,368
Capital outlay	16,215	20,301	4,086
Debt service	-	43,805	43,805
SPECIAL REVENUE FUNDS			
POLICE – Public safety	288,364	289,163	799
Capital outlay	22,735	28,690	5,955
Transfers out	-	126,165	126,165
TRASH COLLECTION – Public works	136,822	147,913	11,091
LIBRARY – Recreation and cultural	126,380	126,859	479
FIRE – Public safety	119,293	120,892	1,599
Capital outlay	-	344	344
Transfers out	-	20,538	20,538
PARK – Recreation and cultural	83,706	84,154	448
BUILDING DEPARTMENT – Public safety	30,789	32,485	1,696

3. DEPOSITS AND INVESTMENTS

	<u>Deposits</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$1,540,953
Restricted cash and cash equivalents	14,304
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	-
Total	<u>\$1,555,257</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Deposits

Deposits are carried at cost. Deposits of the Township are at three financial institutions in the name of the Township.

As of March 31, 2004, the carrying amount and bank balance of the Township's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured - uncollateralized	<u>1,355,257</u>	<u>1,357,005</u>
Total	<u>\$1,555,257</u>	<u>\$1,557,005</u>

In accordance with Act 20 PA 1943 as amended, the Township board approved the following investment policy:

- ◆ Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Richland Township Board of Trustees at the Board's organizational meeting after each regular election of Trustees.
- ◆ Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- ◆ Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.11 to 129.118.
- ◆ The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

4. RECEIVABLES

Receivables as of year end for the Township's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Receivables:		
Taxes	\$ 49,777	\$ -
Accounts	-	85,301
Intergovernmental	<u>42,525</u>	<u>-</u>
Total receivables	<u>\$ 92,302</u>	<u>\$ 85,301</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	\$ 157,833	\$ -	\$ -	\$ 157,833
Capital assets being depreciated:				
Land improvements	516,577	-	(46,583)	469,994
Building	1,176,029	134,176	(14,368)	1,295,837
Equipment	279,491	15,723	(110,106)	185,108
Vehicles	<u>366,389</u>	<u>22,735</u>	<u>(31,338)</u>	<u>357,786</u>
Total capital assets being depreciated	<u>2,338,486</u>	<u>172,634</u>	<u>(202,395)</u>	<u>2,308,725</u>
Less accumulated depreciation				
Land improvements	(260,938)	(21,519)	30,083	(252,374)
Building	(320,911)	(32,306)	9,692	(343,524)
Equipment	(190,695)	(12,412)	93,648	(109,460)
Vehicles	<u>(159,769)</u>	<u>(27,677)</u>	<u>28,842</u>	<u>(158,604)</u>
Total accumulated depreciation	<u>(932,313)</u>	<u>(93,914)</u>	<u>162,265</u>	<u>(863,962)</u>
Total capital assets being depreciated, net	<u>1,406,173</u>	<u>78,720</u>	<u>(40,130)</u>	<u>1,444,763</u>
Governmental activities capital assets, net	<u>\$ 1,564,006</u>	<u>\$ 78,720</u>	<u>\$ (40,130)</u>	<u>\$ 1,602,596</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 67,590	\$ -	\$ -	\$ 67,590
Capital assets being depreciated:				
Land improvements	6,514	-	-	6,514
Building, plants, mains and lagoons	3,649,159	29,340	-	3,678,499
Equipment	60,596	-	(18,371)	42,225
Vehicles	3,910	-	(3,910)	-
Total capital assets being depreciated	<u>3,720,179</u>	<u>29,340</u>	<u>(22,281)</u>	<u>3,727,238</u>
Less accumulated depreciation				
Land improvements	(6,514)	-	-	(6,514)
Building, plants, mains and lagoons	(1,720,298)	(95,799)	-	(1,816,097)
Equipment	(46,997)	(1,550)	18,371	(30,176)
Vehicles	(3,910)	-	3,910	-
Total accumulated depreciation	<u>(1,777,719)</u>	<u>(97,349)</u>	<u>22,281</u>	<u>(1,852,787)</u>
Total capital assets being depreciated, net	<u>1,942,460</u>	<u>(68,009)</u>	<u>-</u>	<u>1,874,451</u>
Business-type activities capital assets, net	<u>\$ 2,010,050</u>	<u>\$ (68,009)</u>	<u>\$ -</u>	<u>\$ 1,942,041</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 43,158
Public safety	27,927
Public works	1,797
Parks and recreation	<u>21,032</u>
Total depreciation expense – governmental activities	<u>\$ 93,914</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Business-type activities:

Sanitary Sewer	\$ 54,173
Water	<u>43,176</u>

Total depreciation expense – business-type activities **\$ 97,349**

6. PAYABLES

Accounts payable and accrued expenses as of year end for the Township's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 23,661	\$ 5,998
Accrued liabilities	9,895	3,172
Intergovernmental	<u>7,966</u>	<u>-</u>
Total payables	<u>\$ 41,522</u>	<u>\$ 9,170</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Township's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Township participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Funding Policy

The Township is required to contribute at an actuarially determined rate; the current rate is 17.66% for Board of Trustees and 18.47% for General Employees of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Township are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Township, depending on the MERS contribution program adopted by the Township.

Annual Pension Cost

For the year ended March 31, 2004, the Township's annual pension cost of \$68,984 for MERS was equal to the Township's required and actual contributions. The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2002, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
3/31/02	\$ 58,054	100%	\$ 0
3/31/03	60,081	100	0
3/31/04	68,984	100	0

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/00	\$774,715	\$1,061,811	\$287,096	73%	\$335,808	85%
12/31/01	887,124	1,472,409	585,285	60	351,161	167
12/31/02	981,092	1,558,848	577,756	63	345,875	167

8. LONG-TERM DEBT

Long-term liability activity for the year ended March 31, 2004, was as follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2004</u>	<u>Due within one year</u>
Governmental Activities:					
Fire Truck revenue bonds dated April 28, 1999, which bear interest at 3.15% to 4.55% are due serially through 2010. The principal and interest are to be paid from the revenue of the fire tax levy.	\$ 145,000	\$ -	\$ (20,000)	\$ 125,000	\$ 20,000
Township Complex revenue bonds dated July 1, 2002, which bear interest at 2.5% to 4.625% are due serially through 2017. The principal and interest are to be paid from Act 140 PA 1971 (revenue sharing).	500,000	-	(25,000)	475,000	25,000
Accrued compensated absences	<u>22,825</u>	<u>-</u>	<u>(232)</u>	<u>22,593</u>	<u>-</u>
Total Governmental Activity					
Long-Term Liabilities	<u>\$ 667,825</u>	<u>\$ -</u>	<u>\$ (45,232)</u>	<u>\$ 622,593</u>	<u>\$ 45,000</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2004</u>	<u>Due within one year</u>
Business-type Activities :					
Building Authority's Water Tower Bond, maturing serially through 2016, with interest from 4.100% to 5.875%	595,000	-	(30,000)	565,000	30,000
Less: Deferred charges	<u>(27,005)</u>	<u>-</u>	<u>1,929</u>	<u>(25,076)</u>	<u>-</u>
Total Business-type Activity					
Long-Term Liabilities	<u>\$ 567,995</u>	<u>\$ -</u>	<u>\$ (28,071)</u>	<u>\$ 539,924</u>	<u>\$ 30,000</u>

The annual requirements to pay future principal and interest on the governmental activity revenue bonds are as follows:

<u>Year ending March 31,</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2005	\$45,000	\$23,557
2006	50,000	22,133
2007	50,000	20,522
2008	50,000	18,773
2009	50,000	16,965
2010-14	190,000	58,642
2015-18	<u>165,000</u>	<u>19,045</u>
	<u>\$ 600,000</u>	<u>\$ 179,637</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Business-type revenue bond debt service requirements to maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 30,000	\$ 32,252
2006	30,000	30,678
2007	35,000	29,072
2008	35,000	27,165
2009	40,000	25,240
2010-14	225,000	91,015
2015-17	<u>170,000</u>	<u>20,269</u>
	<u>\$ 565,000</u>	<u>\$ 255,691</u>

9. INTERFUND TRANSFERS

The composition of interfund transfers for the year ended March 31, 2004, is as follows:

Interfund Transfers

<u>Transfer To:</u>	<u>Transfer From</u>				
	<u>Library</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
General	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000
Township Building Construction	-	-	126,165	12,538	138,703
Property Tax Administration	-	8,000	-	-	8,000
Total Transfers	<u>\$ 70,000</u>	<u>\$ 8,000</u>	<u>\$ 126,165</u>	<u>\$ 12,538</u>	<u>\$ 216,703</u>

The interfund transfer from Library Special Revenue Fund to the General Fund is for the remaining amount owed for the purchase of the former township office building.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The interfund transfer from the Police and Fire Special Revenue Funds to the Township Building Construction Special Revenue Fund is for the purposes of funding renovations and improvements to the public safety building.

The interfund transfer from the General Fund to the Property Tax Administration Special Revenue Fund is to subsidize excess expenditures and to ensure that the Property Tax Administration Fund fund balance is stable from year to year.

10. INTERFUND ADVANCES

During the fiscal year 2003/2004, the Township made improvements and an expansion to the public safety building, which now houses both the police and fire departments. The General Fund provided a long-term loan to the Police and Fire Funds to pay for these improvements. The Police Fund will be required to make annual payments to the General Fund in the amount of \$5,861, including 2% interest, over the next 30 years. The Fire Fund will be required to make annual payments to the General Fund in the amount of \$7,177, including 2% interest, over the next three years.

Interfund Advances

Advance To:	Advance From
	<u>General</u>
Police	\$ 132,120
Fire	<u>20,882</u>
Total Advances	<u><u>\$ 153,002</u></u>

11. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Township becomes a party to various claims and lawsuits. In the opinion of the legal council and Township management, the ultimate resolution of such matters will not have a material effect on the financial position of the Township.

* * * * *

SUPPLEMENTARY INFORMATION

RICHLAND TOWNSHIP

Schedule of Expenditures - Budget and Actual General Fund For the Year Ended March 31, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
GENERAL GOVERNMENT				
Township board	\$ 6,750	\$ 4,984	\$ 4,984	\$ -
Township supervisor	8,370	8,173	8,173	-
Township manager	52,115	51,046	51,118	72
Elections	7,325	2,064	2,064	-
Legal and audit	17,767	17,767	20,035	2,268
Clerk	9,320	9,591	9,591	-
Township property	36,606	32,009	32,876	867
Administration	170,100	190,752	191,913	1,161
	308,353	316,386	320,754	4,368
PUBLIC SAFETY				
Planning commission	18,960	16,889	16,889	-
Board of appeals	500	150	150	-
	19,460	17,039	17,039	-
PUBLIC WORKS				
Department of Public Works	3,770	1,226	1,226	-
Roads and bridges	100,086	100,086	100,127	41
Drains-at-large	202	202	202	-
Street lighting	18,151	18,151	19,885	1,734
Equipment rental	1,515	1,515	1,515	-
Miscellaneous	32,032	32,032	12,567	(19,465)
	155,756	153,212	135,522	(17,690)
HEALTH AND WELFARE				
Health department	3,478	3,478	3,478	-
CAPITAL OUTLAY				
	16,215	16,215	20,301	4,086
DEBT SERVICE				
Principal	-	-	25,000	25,000
Interest	-	-	18,805	18,805
	-	-	43,805	43,805
TOTAL EXPENDITURES	\$ 503,262	\$ 506,330	\$ 540,899	\$ 34,569

RICHLAND TOWNSHIP

**Schedule of Detailed Expenditures
General Fund
For the Year Ended March 31, 2004**

TOWNSHIP BOARD

Fees and per diem	\$ 4,173
Dues and conferences	255
Printing and publishing	411
Miscellaneous	145
	<hr/>
	4,984

TOWNSHIP SUPERVISOR

Salary	7,194
Dues and conferences	979
	<hr/>
	8,173

TOWNSHIP MANAGER

Salary	45,204
Supplies	1,250
Dues and conferences	1,340
Equipment rental	3,300
Miscellaneous	24
	<hr/>
	51,118

ELECTIONS

Salaries	706
Supplies	259
Contractual services	1,070
Printing and publishing	14
Miscellaneous	15
	<hr/>
	2,064

LEGAL AND INDEPENDENT AUDIT

20,035

RICHLAND TOWNSHIP

Schedule of Detailed Expenditures (Continued)
General Fund
For the Year Ended March 31, 2004

CLERK

Salary	\$ 7,144
Supplies	51
Contractual services	308
Dues and conferences	1,600
Miscellaneous	488
	<hr/>
	9,591

TOWNSHIP PROPERTY

Salaries and wages	15,498
Supplies	3,439
Utilities	3,855
Repairs and maintenance	1,706
Equipment rental	6,824
Insurance	1,450
Miscellaneous	104
	<hr/>
	32,876

ADMINISTRATION

Salaries and wages	33,454
Employee benefits	98,234
Supplies	11,186
Utilities	10,697
Telephone	4,565
Consultant fees	12,032
Repairs and maintenance	1,683
Insurance	19,346
Miscellaneous	716
	<hr/>
	191,913

RICHLAND TOWNSHIP

Schedule of Detailed Expenditures (Continued)

General Fund

For the Year Ended March 31, 2004

PLANNING COMMISSION

Fees and per diem	\$ 8,392
Contractual services	7,160
Printing and publishing	113
Miscellaneous	<u>1,224</u>
	<u>16,889</u>

BOARD OF APPEALS

Fees and per diem	<u>150</u>
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DEPARTMENT OF PUBLIC WORKS

Salaries and wages	<u>1,226</u>
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PUBLIC WORKS

Roads and bridges	100,127
Drains-at-large	202
Street lighting	19,885
Equipment rental	1,515
Miscellaneous	<u>12,567</u>
	<u>134,296</u>

HEALTH AND WELFARE

Health department	<u>3,478</u>
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CAPITAL OUTLAY

20,301

DEBT SERVICE

Principal	25,000
Interest	<u>18,805</u>
	<u>43,805</u>

TOTAL EXPENDITURES

\$ 540,899

RICHLAND TOWNSHIP

**Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2004**

	Special Revenue Funds		
	Fire	Park	Building Department
Assets			
Cash and cash equivalents	\$ 106,624	\$ 121,241	\$ 51,497
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 1,600	\$ 448	\$ 1,696
Advances from other funds	20,882	-	-
Total liabilities	22,482	448	1,696
Fund balances			
Unreserved:			
Undesignated	84,142	120,793	49,801
Total liabilities and fund equity	\$ 106,624	\$ 121,241	\$ 51,497

Special Revenue Funds		Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Property Tax Administration	Total	Township Building Construction	Cemetery Trust	
\$ 33,380	\$ 312,742	\$ -	\$ 519	\$ 313,261
\$ -	\$ 3,744	\$ -	\$ -	\$ 3,744
-	20,882	-	-	20,882
-	24,626	-	-	24,626
33,380	288,116	-	519	288,635
\$ 33,380	\$ 312,742	\$ -	\$ 519	\$ 313,261

RICHLAND TOWNSHIP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2004**

	Special Revenue Funds		
	Fire	Park	Building Department
Revenues			
Taxes	\$ 93,126	\$ 91,173	\$ -
Licenses and permits	-	-	48,692
Intergovernmental revenue:			
State	-	-	-
Charges for services	-	19,476	-
Contributions and donations	34,600	700	-
Interest	998	929	543
Other revenue	-	609	90
Total revenues	128,724	112,887	49,325
Expenditures			
General government	-	-	-
Public safety	120,892	-	32,485
Recreational and cultural	-	84,154	-
Capital outlay	344	10,200	-
Debt service:			
Principal	20,000	-	-
Interest	6,148	-	-
Total expenditures	147,384	94,354	32,485
Revenues over (under) expenditures	(18,660)	18,533	16,840
Other financing sources			
Transfers in	-	-	-
Transfers (out)	(20,538)	-	-
Total other financing sources (uses)	(20,538)	-	-
Net change in fund balances	(39,198)	18,533	16,840
Fund balances, beginning of year	123,340	102,260	32,961
Fund balances, end of year	\$ 84,142	\$ 120,793	\$ 49,801

Special Revenue Funds		Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Property Tax Administration	Total	Township Building Construction	Cemetery Trust	
\$ -	\$ 184,299	\$ -	\$ -	\$ 184,299
-	48,692	-	-	48,692
5,688	5,688	-	-	5,688
33,281	52,757	-	-	52,757
-	35,300	-	-	35,300
300	2,770	91	4	2,865
-	699	-	-	699
39,269	330,205	91	4	330,300
46,363	46,363	-	-	46,363
-	153,377	-	-	153,377
-	84,154	-	-	84,154
-	10,544	151,573	-	162,117
-	20,000	-	-	20,000
-	6,148	-	-	6,148
46,363	320,586	151,573	-	472,159
(7,094)	9,619	(151,482)	4	(141,859)
8,000	8,000	146,703	-	154,703
-	(20,538)	-	-	(20,538)
8,000	(12,538)	146,703	-	134,165
906	(2,919)	(4,779)	4	(7,694)
32,474	291,035	4,779	515	296,329
\$ 33,380	\$ 288,116	\$ -	\$ 519	\$ 288,635

RICHLAND TOWNSHIP

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Fire Fund For the Year Ended March 31, 2004

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 87,600	\$ 93,126	\$ 93,126	\$ -
Contributions from local units	31,000	34,600	34,600	-
Interest	1,200	998	998	-
Other revenue	300	-	-	-
Total revenues	120,100	128,724	128,724	-
Expenditures				
Public safety:				
Salaries	32,500	31,767	31,767	-
Employee benefits	2,300	3,363	3,363	-
Supplies	34,500	24,896	25,039	143
Uniforms and cleaning	9,700	8,196	8,196	-
Contractual services	2,750	3,033	3,033	-
Telephone and utilities	21,000	23,352	24,549	1,197
Repairs and maintenance	7,000	8,600	8,859	259
Insurance	6,500	8,040	8,040	-
Administration fees	1,500	1,500	1,500	-
Workshops and conferences	3,250	3,949	3,949	-
Equipment rental	1,000	1,589	1,589	-
Miscellaneous	2,403	1,008	1,008	-
Capital outlay	30,147	-	344	344
Debt service				
Principal	-	20,000	20,000	-
Interest	-	6,148	6,148	-
Total expenditures	154,550	145,441	147,384	1,943
Other financing (uses)				
Transfers (out)	-	-	(20,538)	20,538
Net change in fund balances	(34,450)	(16,717)	(39,198)	22,481
Fund balances, beginning of year	123,340	123,340	123,340	-
Fund balances, end of year	<u>\$ 88,890</u>	<u>\$ 106,623</u>	<u>\$ 84,142</u>	<u>\$ 22,481</u>

RICHLAND TOWNSHIP

**Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Park Fund
For the Year Ended March 31, 2004**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 86,388	\$ 91,580	\$ 91,173	\$ (407)
Charges for services	19,750	19,476	19,476	-
Donations	700	700	700	-
Interest	1,000	929	929	-
Other revenue	50	609	609	-
Total revenues	107,888	113,294	112,887	(407)
Expenditures				
Recreation and cultural:				
Salaries	42,030	41,921	41,921	-
Employee benefits	4,200	4,200	4,200	-
Fees and per diem	1,000	-	-	-
Operating supplies	23,600	18,187	18,240	53
Contractual services	2,870	2,145	2,145	-
Insurance	1,500	1,258	1,258	-
Printing and publishing	25	24	48	24
Telephone and utilities	4,600	6,245	6,616	371
Repairs and maintenance	3,200	3,876	3,876	-
Equipment rental	-	43	43	-
Miscellaneous	4,600	5,807	5,807	-
Capital outlay	41,963	131,224	10,200	(121,024)
Total expenditures	129,588	214,930	94,354	(120,576)
Net change in fund balances	(21,700)	(101,636)	18,533	120,169
Fund balances, beginning of year	102,260	102,260	102,260	-
Fund balances, end of year	\$ 80,560	\$ 624	\$ 120,793	\$ 120,169

RICHLAND TOWNSHIP

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Building Department Fund For the Year Ended March 31, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 34,800	\$ 48,692	\$ 48,692	\$ -
Interest	450	543	543	-
Miscellaneous	50	90	90	-
Total revenues	35,300	49,325	49,325	-
Expenditures				
Public safety:				
Salaries	19,700	23,555	24,935	1,380
Employee benefits	600	600	600	-
Supplies	1,000	2,583	2,614	31
Insurance	200	140	140	-
Administration fees	750	775	775	-
Workshops and conferences	1,000	395	457	62
Miscellaneous	2,820	2,741	2,964	223
Total expenditures	26,070	30,789	32,485	1,696
Net change in fund balances	9,230	18,536	16,840	(1,696)
Fund balances, beginning of year	32,961	32,961	32,961	-
Fund balances, end of year	\$ 42,191	\$ 51,497	\$ 49,801	\$ (1,696)

RICHLAND TOWNSHIP

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Property Tax Administration Fund For the Year Ended March 31, 2004

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
State grants	\$ -	\$ 5,688	\$ 5,688	\$ -
Tax collection fees	32,355	33,281	33,281	-
Interest	350	300	300	-
Total revenues	32,705	39,269	39,269	-
Expenditures				
General government:				
Salaries and fees	12,970	15,784	15,784	-
Employee benefits	3,200	2,860	2,860	-
Supplies	2,050	1,267	1,267	-
Tax roll preparation	5,200	5,975	5,975	-
Contractual services	28,500	18,326	18,326	-
Printing and publishing	200	1,458	1,458	-
Administration fees	450	450	450	-
Workshops and conferences	600	80	80	-
Miscellaneous	450	163	163	-
Total expenditures	53,620	46,363	46,363	-
Net change in fund balances	(20,915)	(7,094)	(7,094)	-
Other financing sources				
Transfers in	8,000	8,000	8,000	-
Net change in fund balances	(12,915)	906	906	-
Fund balances, beginning of year	32,474	32,474	32,474	-
Fund balances, end of year	\$ 19,559	\$ 33,380	\$ 33,380	\$ -

RICHLAND TOWNSHIP

INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2004

	MOTOR POOL	FRINGE BENEFIT	TOTAL
Assets			
Current assets			
Cash and cash equivalents	\$ 30,011	\$ -	\$ 30,011
Capital assets			
Equipment	106,740	-	106,740
Vehicles	101,243	-	101,243
Less allowance for depreciation	(145,623)	-	(145,623)
Total capital assets	62,360	-	62,360
Total assets	\$ 92,371	\$ -	\$ 92,371
Liabilities			
Current liabilities			
Accounts payable	\$ 294	\$ -	\$ 294
Net assets - unrestricted	\$ 92,077	\$ -	\$ 92,077

RICHLAND TOWNSHIP

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS**

FOR THE YEAR ENDED MARCH 31, 2004

	MOTOR POOL	FRINGE BENEFIT	TOTAL
Operating revenues			
Charges for services	\$ 26,164	\$ 297,479	\$ 323,643
Reimbursements	-	2,053	2,053
Other revenue	-	809	809
Total operating revenues	26,164	300,341	326,505
Operating expenses			
Salaries and wages	-	67,783	67,783
Employee benefits	-	232,689	232,689
Supplies	5,305	-	5,305
Contractual services	512	-	512
Insurance	3,352	-	3,352
Repairs and maintenance	3,879	-	3,879
Depreciation	17,728	-	17,728
Miscellaneous	40	-	40
Total operating expenses	30,816	300,472	331,288
Operating income (loss)	(4,652)	(131)	(4,783)
Nonoperating revenues (expenses)			
Interest revenue	199	80	279
Gain on sale of capital assets	51	-	51
Total nonoperating revenues	250	80	330
Change in net assets	(4,402)	(51)	(4,453)
Net assets, beginning of year	96,479	51	96,530
Net assets, end of year	\$ 92,077	\$ -	\$ 92,077

RICHLAND TOWNSHIP
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

	MOTOR POOL	FRINGE BENEFIT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 26,164	\$ 300,341	\$ 326,505
Cash payments to employees	-	(67,783)	(67,783)
Cash payments to suppliers for goods and services	(12,794)	(232,689)	(245,483)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>13,370</u>	<u>(131)</u>	<u>13,239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	2,012	-	2,012
Acquisition of capital assets	(6,067)	-	(6,067)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,055)</u>	<u>-</u>	<u>(4,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	199	80	279
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,514	(51)	9,463
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,497</u>	<u>51</u>	<u>20,548</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 30,011</u>	<u>\$ -</u>	<u>\$ 30,011</u>

CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating (loss)	\$ (4,652)	\$ (131)	\$ (4,783)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	17,728	-	17,728
Increase (decrease) in liabilities:			
Accounts payable	294	-	294
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 13,370</u>	<u>\$ (131)</u>	<u>\$ 13,239</u>

RICHLAND TOWNSHIP
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE APRIL 1, 2003			ADDITIONS		DEDUCTIONS		BALANCE MARCH 31, 2004
Assets								
Cash and cash equivalents	\$	-	\$	3,186,630	\$	3,186,630	\$	-
Liabilities								
Due to other funds	\$	-	\$	661,681	\$	661,681	\$	-
Due to other governmental units		-		2,524,949		2,524,949		-
<u>TOTAL LIABILITIES</u>	\$	-	\$	3,186,630	\$	3,186,630	\$	-



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

May 7, 2004

Members of the Township Board
Richland Township
Hemlock, Michigan

We have audited the basic financial statements of **Richland Township** as of and for the year ended March 31, 2004, and have issued our report thereon dated May 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **Richland Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Richland Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **Richland's Township's** ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is as follows:

As is common with Townships of this size, there is an overall lack of segregation of duties with regard to the accounting functions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information of management, the Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.